

City of Detroit

CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Anne Marie Langan, Deputy Director *AML*

DATE: October 9, 2009

RE: Report on Gaming Tax Revenue through August 2009

For Council's review, the attached schedules present the gaming tax revenue activity through August 2009 and prior fiscal years.

The city collected \$13.28 million in gaming tax revenue for the second month of the fiscal year, which was 3.2% less than the prior month of July. The August 2009 collection was a 7% decrease over August 2008 and an 8.5% decrease over August 2007.

Adjusted gross casino gaming receipts came in at \$111.57 million for the month of August 2009. This represented a 3.24% decrease over the prior month and a 5.42% decrease over August of 2008. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows negative growth, approximately 3% since last August, among the combined casino receipts.

There is not a one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases due to two factors. First, there is the fact that MGM and Motor City casinos began paying the city 1% less because of the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the city is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. The caveat was that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the city determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the city where the casino is being operated. Greektown should continue to pay the 6%

additional wagering tax – 4% to the state, 2% to the city – until the permanent is open for thirty days and certified by the Administration, which has not yet occurred.

Second, the amended development agreement of August 2002 between the city and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the third year in a row, due to MGM and Motor City reaching \$400 million in the calendar year, gaming tax collections will spike by \$10.0 million between October and December. MGM should reach \$400 million in September, and should transfer to the City the initial \$4.0 million of the additional 1% within 10 days as stipulated in the development agreement. It does not appear that the amended casino development agreement included any penalty for late remittance, which MGM unfortunately has taken advantage of each year. Motor City should reach \$400 million during the month of November and has consistently remitted the funds to the city within the proper timeframe as outlined in the development agreement. It is not projected that Greentown will reach that threshold.

The 2009-2010 budget for gaming fee revenues is \$176.6 million, a 9.3% decrease over the 2008-2009 budget of \$194.78 million. Based on existing data, we are currently projecting a slight deficit of \$5.1 million.

Attachments (9)

cc: Council Divisions
Auditor General
Norman White, Finance Director
Pamela Scales, Budget Director
Renee Short, Budget Manager
Tanya Stoudemire, Finance - Project Administration
Kamau Marable, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

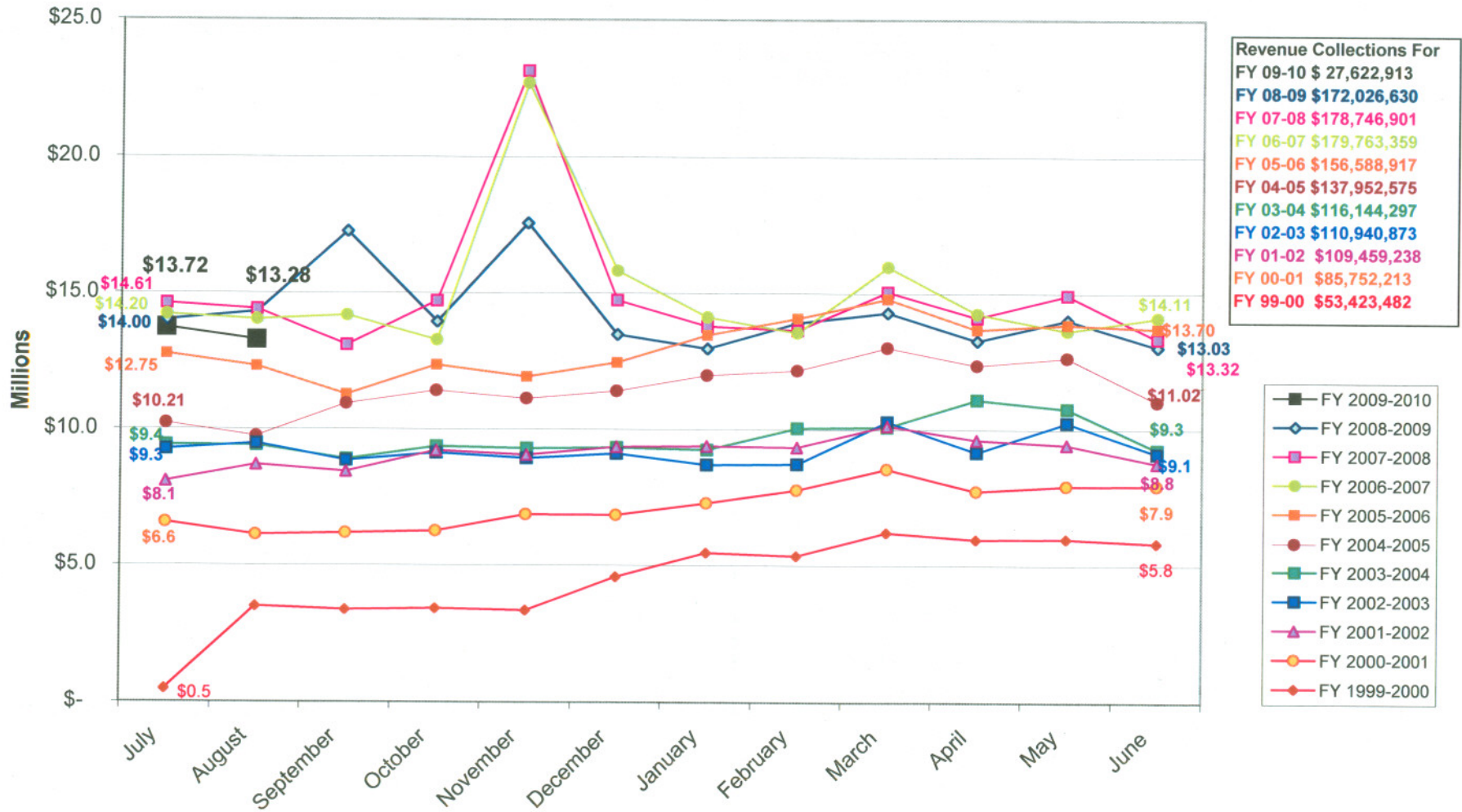


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

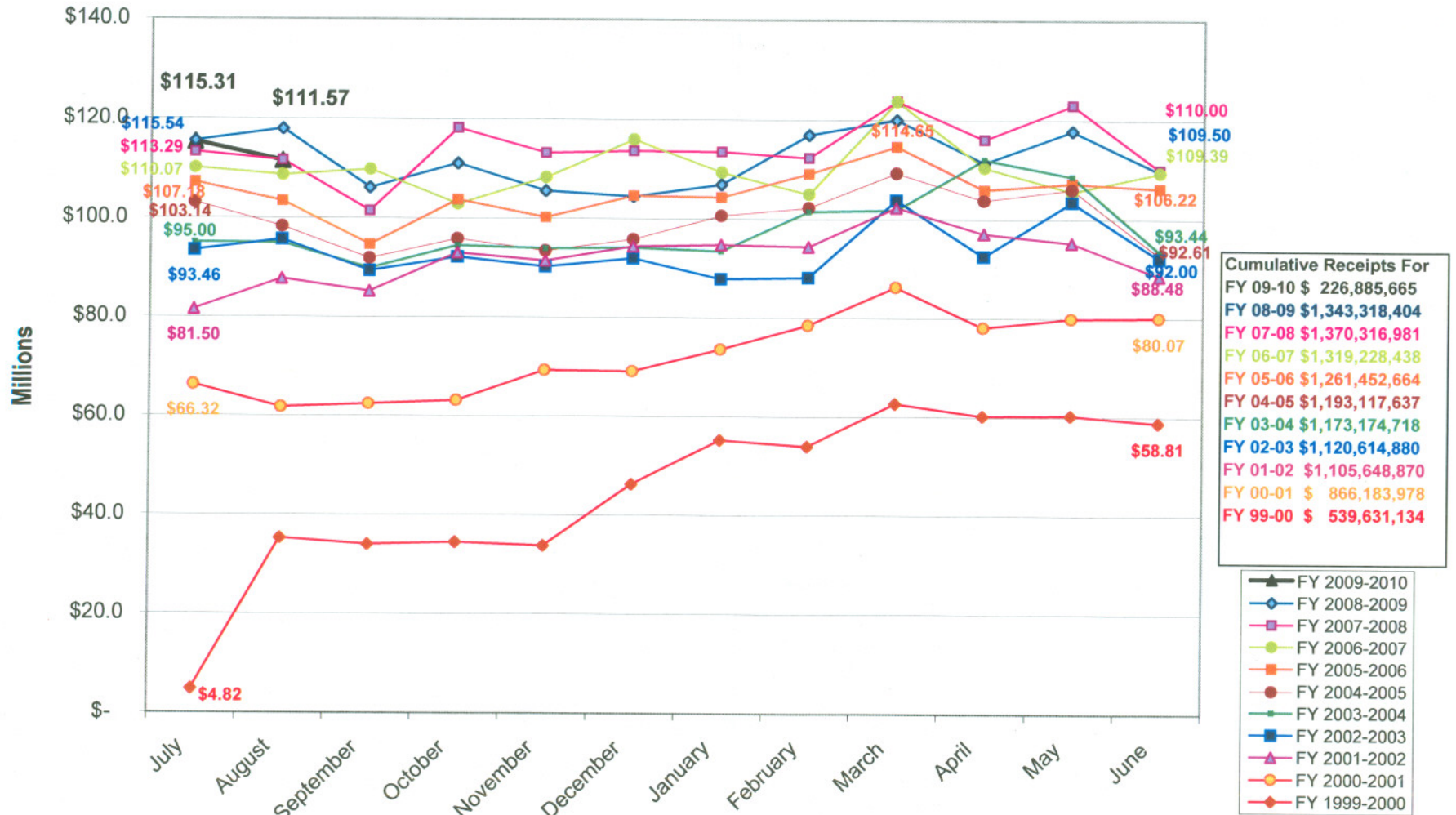


Chart 2

Monthly Detroit Gaming Tax Collections

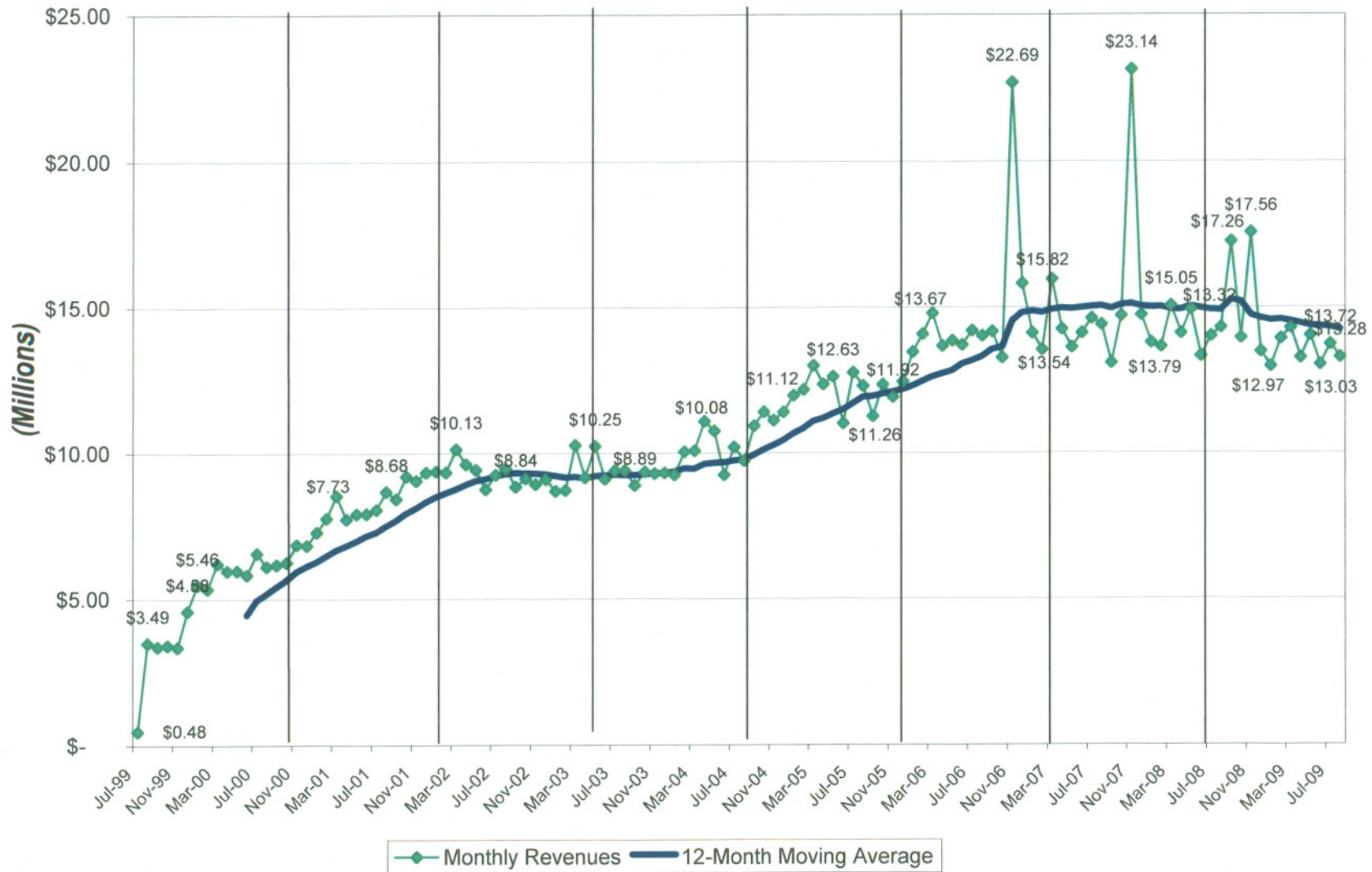


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipts

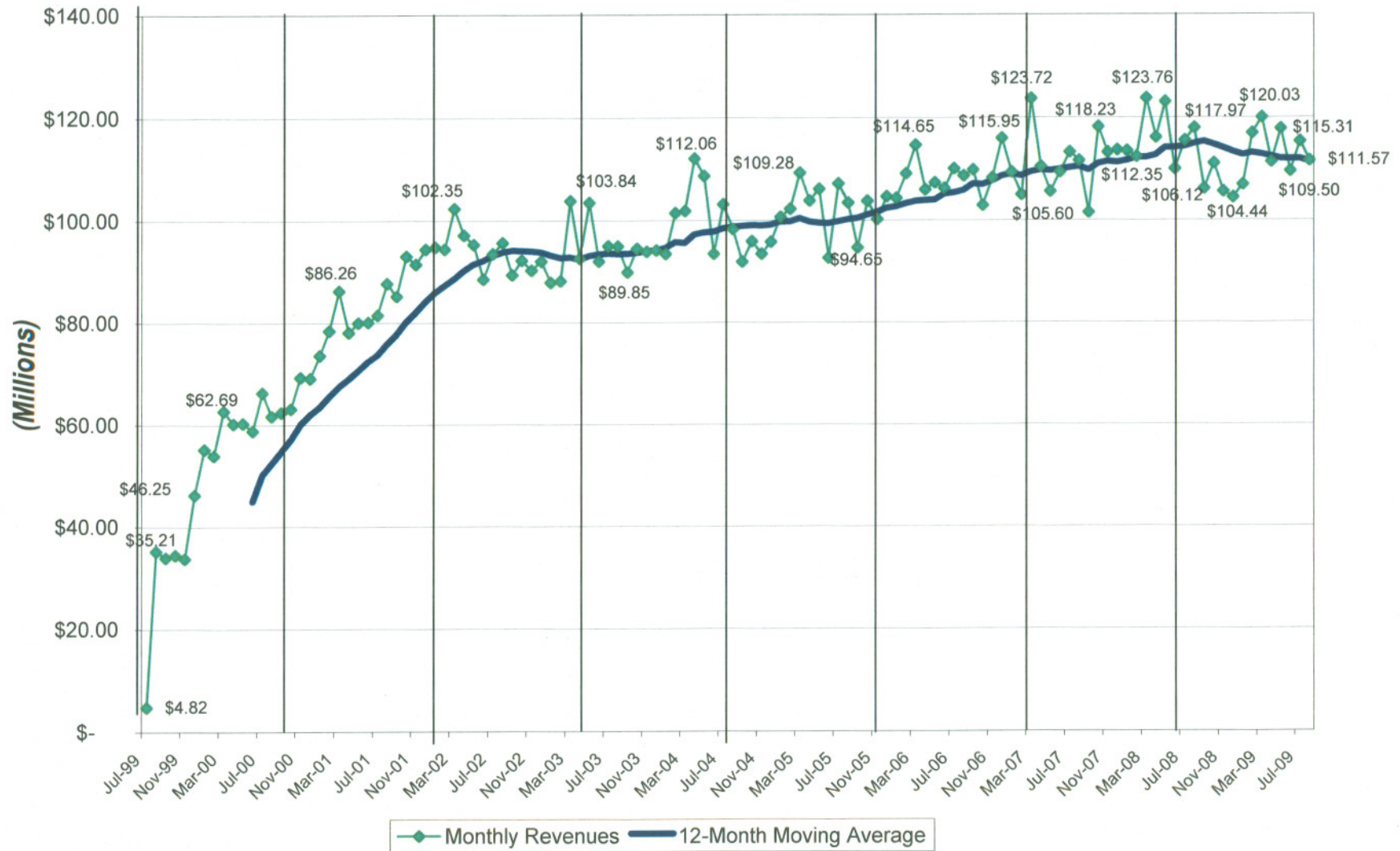


Chart 3

MGM Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

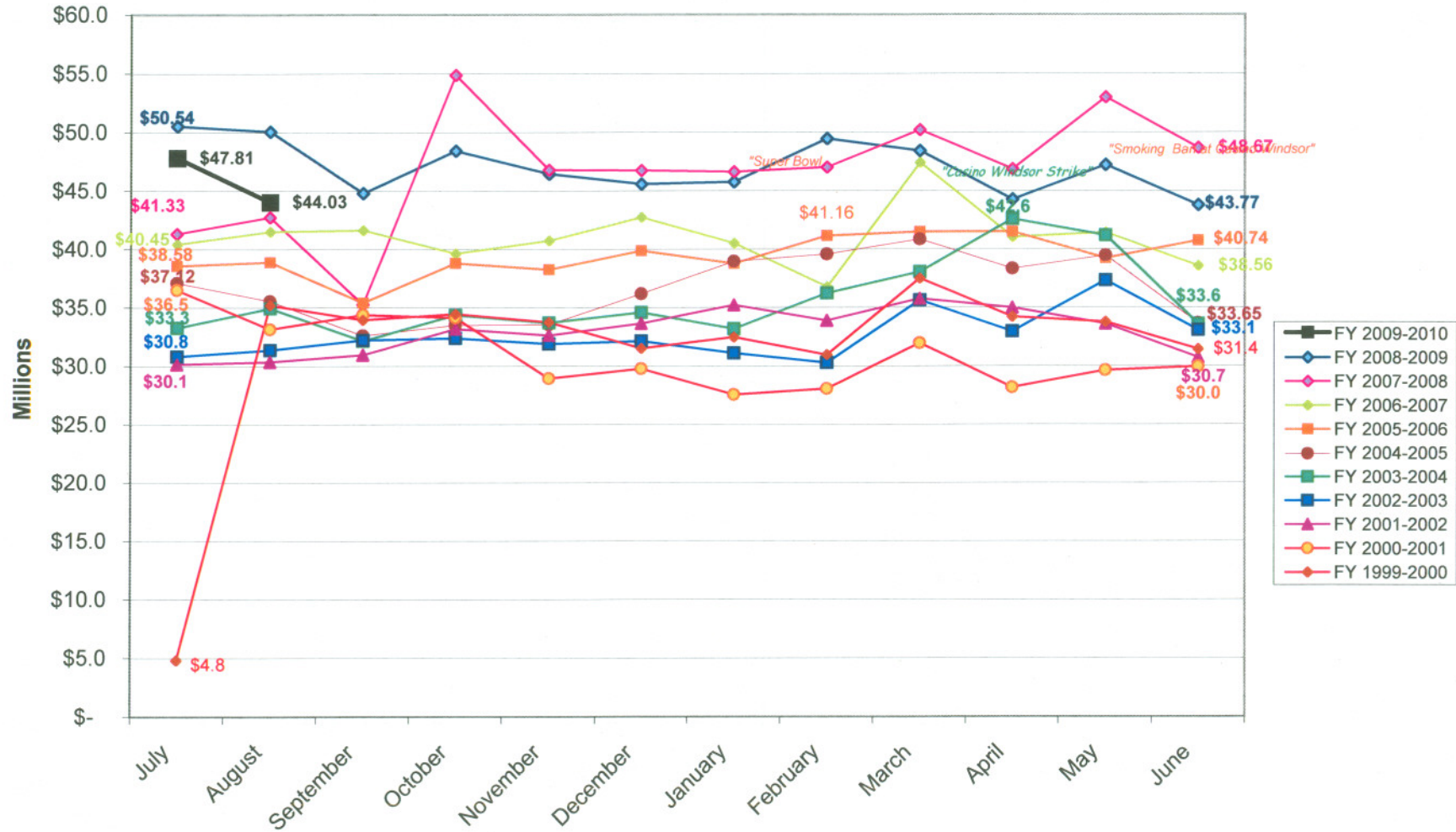


Chart 4

Motor City Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year



Chart 5

Greektown Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

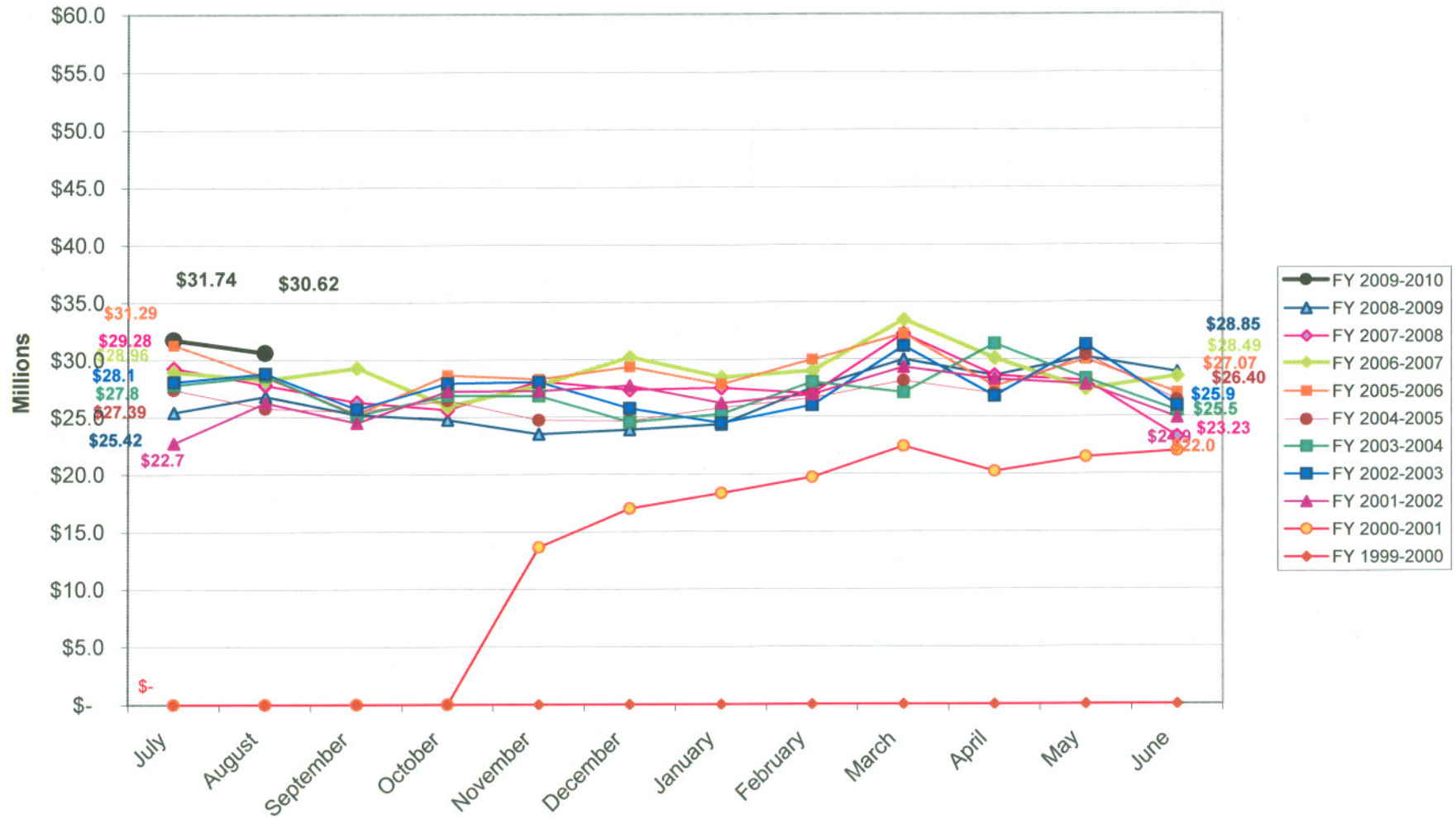


Table 1

Wagering Tax Proj - All Casinos

	Total Adjusted Gross Receipts	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month
	FY 99-00	FY 00-01			FY 01-02			FY 02-03			FY 03-04			FY 04-05	
July	\$ 4,818,554.11	\$ 66,323,549.18	12.77%	1276.42%	\$ 81,496,908.67	1.78%	22.88%	\$ 93,464,344.37	5.63%	14.68%	\$ 94,996,882.60	3.26%	1.64%	\$ 103,137,181.92	10.38%
August	\$ 35,206,963.97	\$ 61,725,994.28	-6.93%	75.32%	\$ 87,712,104.68	7.63%	42.10%	\$ 95,624,361.82	2.31%	9.02%	\$ 94,945,297.86	-0.05%	-0.71%	\$ 98,284,018.21	-4.71%
September	\$ 33,951,508.55	\$ 62,400,590.64	1.09%	83.79%	\$ 85,194,954.99	-2.87%	36.53%	\$ 89,330,627.77	-6.58%	4.85%	\$ 89,846,284.46	-5.37%	0.58%	\$ 91,879,662.05	-6.52%
October	\$ 34,457,655.34	\$ 63,154,788.42	1.21%	83.28%	\$ 93,009,539.88	9.17%	47.27%	\$ 92,160,878.71	3.17%	-0.91%	\$ 94,497,435.81	5.18%	2.54%	\$ 95,876,962.42	4.35%
November	\$ 33,753,191.20	\$ 69,311,190.20	9.75%	105.35%	\$ 91,433,716.17	-1.69%	31.92%	\$ 90,243,781.15	-2.08%	-1.30%	\$ 93,902,353.28	-0.63%	4.05%	\$ 93,449,975.38	-2.53%
December	\$ 46,250,828.30	\$ 69,524,423.42	0.31%	50.32%	\$ 94,402,799.35	3.25%	35.78%	\$ 91,920,659.97	1.86%	-2.63%	\$ 94,143,405.98	0.28%	2.42%	\$ 95,793,618.31	2.51%
January	\$ 55,200,849.45	\$ 73,592,001.56	5.85%	33.32%	\$ 94,761,814.26	0.38%	28.77%	\$ 87,867,493.44	-4.39%	-7.25%	\$ 93,418,339.78	-0.77%	6.29%	\$ 100,641,632.70	5.06%
February	\$ 53,986,302.45	\$ 75,747,462.08	2.93%	40.31%	\$ 94,372,441.05	-0.41%	24.59%	\$ 88,132,675.16	0.28%	-6.61%	\$ 101,448,959.91	8.60%	15.11%	\$ 102,234,696.19	1.58%
March	\$ 62,688,959.46	\$ 86,262,860.21	13.88%	37.60%	\$ 102,350,849.53	8.45%	18.65%	\$ 103,839,988.50	17.82%	1.45%	\$ 101,817,213.41	0.36%	-1.95%	\$ 109,276,275.06	6.89%
April	\$ 60,187,608.42	\$ 78,094,868.65	-9.47%	29.75%	\$ 97,128,696.05	-5.10%	24.37%	\$ 92,518,292.64	-10.90%	-4.75%	\$ 112,058,689.00	10.06%	21.12%	\$ 103,817,060.60	-5.00%
May	\$ 60,316,238.91	\$ 79,973,338.46	2.41%	32.59%	\$ 95,300,333.75	-1.88%	19.17%	\$ 103,491,412.70	11.86%	8.60%	\$ 108,663,278.95	-3.03%	5.00%	\$ 106,113,250.65	2.21%
June	\$ 58,812,474.03	\$ 80,072,911.35	0.12%	36.15%	\$ 88,484,712.03	-7.15%	10.51%	\$ 92,000,364.73	-11.10%	3.97%	\$ 93,436,577.00	-14.01%	1.56%	\$ 92,613,303.37	-12.72%
TOT RECEIPTS thru FY	\$ 539,631,134.19	\$ 866,183,978.45		60.51%	\$ 1,105,648,870.41		27.65%	\$ 1,120,614,880.96		1.35%	\$ 1,173,174,718.04		4.69%	\$ 1,193,117,636.86	
Receipts thru Cal Yr.															
Wagering Tax - pre 9/2004 (State Law)	9.90%	9.90%			9.90%			9.90%			9.90%			9.90%	
Wagering Tax - post 9/2004 (State Law)														11.90%	
Wagering Tax - post 1/2006 (Dev. Agrmt)															
Add 1% after calendar year hits \$400 M (Dev. Agrmt)															
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)															
Wagering Tax FYTD	\$ 53,423,482.28	\$ 85,752,213.87			\$ 109,459,238.17			\$ 110,940,873.22			\$ 116,144,297.09			\$ 137,952,574.78	
Wagering Tax FYTD	\$ 53,423,482.28	\$ 85,752,213.87			\$ 109,459,238.17			\$ 110,940,873.22			\$ 116,144,297.09			\$ 137,952,574.78	
First 2 month's receipts	\$ 40,025,518.08	\$ 128,049,543.46		219.92%	\$ 169,209,013.35		32.14%	\$ 189,088,706.19		11.75%	\$ 189,942,180.46		0.45%	\$ 201,421,200.13	
Last 10 Months	\$ 499,605,616.11	\$ 738,134,434.99			\$ 936,439,857.06			\$ 931,526,174.77			\$ 983,232,537.58			\$ 991,696,436.73	
Ratio of first 2 months to last 10 months	1248.22%	576.44%			553.42%			492.64%			517.65%			492.35%	
est. last 10 months of receipts															
est. annual receipts															
Estimated wagering tax															
Budget	\$ 51,500,000.00	\$ 80,700,000.00		56.70%	\$ 95,800,000.00		18.71%	\$ 105,000,000.00		9.60%	\$ 110,000,000.00		4.76%	\$ 117,600,000.00	
Surplus/Deficit	\$ 1,923,482.28	\$ 5,052,213.87		162.66%	\$ 13,659,238.17		170.36%	\$ 5,940,873.22		-56.51%	\$ 6,144,297.09		3.42%	\$ 20,352,574.78	
Add 1% after \$400M - PROJECTION															
Adjusted Surplus/Deficit															

Table 1

Wagering Tax Proj - All Casinos

	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year
		FY 05-06			FY 06-07			FY 07-08			FY 08-09			FY 09-10		
July	8.57%	\$ 107,183,066.76	15.73%	3.92%	\$ 110,072,837.97	3.63%	2.70%	\$ 113,292,228.60	3.57%	2.92%	\$ 115,539,885.15	5.04%	1.98%	\$ 115,312,145.66	5.31%	-0.20%
August	3.52%	\$ 103,404,489.92	-3.53%	5.21%	\$ 108,670,718.41	-1.27%	5.09%	\$ 111,638,470.47	-1.46%	2.73%	\$ 117,966,649.27	2.10%	5.67%	\$ 111,573,519.10	-3.24%	-5.42%
September	2.26%	\$ 94,646,506.32	-8.47%	3.01%	\$ 109,837,729.27	1.07%	16.05%	\$ 101,472,179.99	-9.11%	-7.62%	\$ 106,123,890.39	-10.04%	4.58%	\$ -	-100.00%	-100.00%
October	1.46%	\$ 103,785,884.07	9.66%	8.25%	\$ 102,879,908.44	-6.33%	-0.87%	\$ 118,232,375.81	16.52%	14.92%	\$ 111,054,369.91	4.65%	-6.07%	\$ -	#DIV/0!	-100.00%
November	-0.48%	\$ 100,200,007.05	-3.46%	7.22%	\$ 108,282,401.97	5.25%	8.07%	\$ 113,205,571.06	-4.25%	4.55%	\$ 105,577,595.23	-4.93%	-6.74%	\$ -	#DIV/0!	-100.00%
December	1.75%	\$ 104,627,713.94	4.42%	9.22%	\$ 115,954,230.89	7.09%	10.83%	\$ 113,644,454.00	0.39%	-1.99%	\$ 104,443,448.24	-1.07%	-8.10%	\$ -	#DIV/0!	-100.00%
January	7.73%	\$ 104,344,788.88	-0.27%	3.68%	\$ 109,395,456.08	-5.66%	4.84%	\$ 113,538,879.23	-0.09%	3.79%	\$ 106,916,307.76	2.37%	-5.83%	\$ -	#DIV/0!	-100.00%
February	0.77%	\$ 109,110,654.88	4.57%	6.73%	\$ 104,978,178.00	-4.04%	-3.79%	\$ 112,348,111.49	-1.05%	7.02%	\$ 116,961,635.84	9.40%	4.11%	\$ -	#DIV/0!	-100.00%
March	7.33%	\$ 114,646,495.31	5.07%	4.91%	\$ 123,724,595.76	17.86%	7.92%	\$ 123,755,237.80	10.15%	0.02%	\$ 120,025,025.84	2.62%	-3.01%	\$ -	#DIV/0!	-100.00%
April	-7.35%	\$ 105,961,980.53	-7.58%	2.07%	\$ 110,447,576.58	-10.73%	4.23%	\$ 116,140,232.49	-6.15%	5.15%	\$ 111,379,057.92	-7.20%	-4.10%	\$ -	#DIV/0!	-100.00%
May	-2.35%	\$ 107,320,342.18	1.28%	1.14%	\$ 105,599,379.09	-4.39%	-1.60%	\$ 123,052,907.87	5.95%	16.53%	\$ 117,827,962.49	5.79%	-4.25%	\$ -	#DIV/0!	-100.00%
June	-0.88%	\$ 106,220,734.54	-1.02%	14.69%	\$ 109,385,425.87	3.59%	2.98%	\$ 109,996,332.91	-10.61%	0.56%	\$ 109,502,576.14	-7.07%	-0.45%	\$ -	#DIV/0!	-100.00%
TOT RECEIPTS thru FY	1.70%	\$ 1,261,452,664.38		5.73%	\$ 1,319,228,438.33		4.58%	\$ 1,370,316,981.72		3.87%	\$ 1,343,318,404.18		-1.97%	\$ 226,885,664.76		-83.11%
Receipts thru Cal Yr.								\$ 993,695,395.73			\$ 1,043,238,557.78			\$ 677,740,320.97		
Wagering Tax - pre 9/2004 (State Law)																
Wagering Tax - post 9/2004 (State Law)		11.90%														
Wagering Tax - post 1/2006 (Dev. Agrmt)		12.90%			12.90%			12.90%			12.90%			12.90%		
Add'l 1% after calendar year hits \$400 M (Dev. Agrmt)					1.00%			1.00%			1.00%			1.00%		
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)								11.90%			11.90%			11.90%		
Wagering Tax FYTD	18.78%	\$ 156,588,917.02		13.51%	\$ 170,180,468.54			\$ 168,809,946.93			\$ 163,044,989.21			\$ 26,999,394.11		
Add'l 1% after casino reaches \$400M during calendar year (Dev Agrmt)					\$ 9,582,890.79			\$ 9,936,953.96			\$ 10,432,385.58			\$ -		
Total Revenue FYTD		\$ 156,588,917.02			\$ 179,763,359.33			\$ 178,746,900.89		-0.57%	\$ 173,477,374.79			\$ 26,999,394.11		
First 2 month's receipts	6.04%	\$ 210,587,556.68		4.55%	\$ 218,743,556.38		3.87%	\$ 224,930,699.07		2.83%	\$ 233,506,534.42		3.81%	\$ 226,885,664.76		-2.84%
Last 10 Months Ratio of first 2 months to last 10 months	0.86%	\$ 1,050,865,107.70		5.97%	\$ 1,100,484,881.95		4.72%	\$ 1,145,386,282.65		4.08%	\$ 1,109,811,869.76					
est. last 10 months of receipts		499.02%			503.09%			509.22%			475.28%			496.65%		4 year avg.
est. annual receipts														\$ 1,130,158,332.44		1.83%
														\$ 1,357,043,997.20		1.02%
Estimated wagering tax														\$ 161,488,235.67		-6.91%
Budget	6.91%	\$ 153,000,000.00		30.10%	\$ 184,850,000.00		20.82%	\$ 193,248,000.00		4.54%	\$ 194,780,000.00		0.79%	\$ 176,600,000.00		-9.33%
Surplus/Deficit	231.24%	\$ 3,588,917.02		-82.37%	\$ (5,086,640.67)		-241.73%	\$ (14,501,099.11)		185.08%	\$ (21,302,625.21)		46.90%	\$ (15,111,764.33)		-29.06%
Add'l 1% after \$400M - PROJECTED														\$ 10,000,000.00		
Adjusted Surplus/Deficit														\$ (5,111,764.33)		